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STATE OF MONTANA
ATHLETIC COMMISSION
REPORT ON EXAMINATION
Two Fiscal Years Ended June 30, 1970



OFFICE OF THE LEGISLATIVE AUDITOR

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ATHLETIC COMMISSION

REPORT ON EXAMINATION

Two Fiscal Years Ended June 30, 1970

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APPOINTIVE AND ADMINISTRATIVE OFFICIALS

STATE ATHLETIC COMMISSION

Commission Members

David L. Blatter, Chairman	Helena	1971
Frank Quinn, Commissioner	Butte	1972
Charles George, Commissioner	Laurel	1973

Administrative Officials

Troy Evans, Secretary

SUMMARY OF RECOMMENDATIONS

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Establish and maintain a general ledger utilizing the double entry system and prepare annual financial statements.	5
Reconcile account balance with state controller's reports and initiate action to correct any errors noted.	5
Establish and maintain a permanent record of all licenses issued.	6
Institute procedures to insure that all participants and officials are licensed and fees collected.	7
Adopt written procedures outlining the means by which gross receipts are determined and the duties of the inspector.	8
Request legal clarification on whether taxes are to be withheld on gross receipts obtained from admission tickets at training and sparring exercises.	9



STATE OF MONTANA
Office of the Legislative Auditor
STATE CAPITOL
HELENA, MONTANA 59601

The Legislative Audit Committee
of the Montana State Legislature:

We have examined the balance sheet of the Montana State Athletic Commission as of June 30, 1970, and the related statements of operations, as set forth in the table of contents in this report, for the two fiscal years then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The financial statements have been prepared on the cash basis of accounting and do not show financial position or operating results as do statements prepared on the modified accrual basis in accordance with generally accepted accounting principals applicable to governmental units.

The commission does not maintain a general ledger, utilize the double entry system of accounting, or prepare annual financial statements. The accompanying financial statements were prepared from detail records of the commission and Offices of the State Controller and State Treasurer.

In our opinion, subject to the above exceptions, the accompanying financial statements present fairly the financial position of the Montana State Athletic Commission as of June 30, 1970, and the results of its

operations for the two fiscal years then ended, in conformity with generally accepted governmental accounting principles applied on a basis consistent with that of the preceding years.

We submit the financial statements listed in the preceding table of contents together with the following comments.

COMMENTS

GENERAL

The Montana Athletic Commission is a statutory function created by Chapter 103, Laws of 1927. This act and several subsequent amendments vest the commission with the sole direction, management, control and jurisdiction over all professional boxing, sparring and wrestling matches or exhibitions conducted in the state.

The commission consists of three members appointed by the governor for three-year terms and a secretary who is appointed by the commission members. The commission members serve without compensation except for reimbursement of necessary expenses while the secretary receives a salary of \$25 per month in addition to reimbursement of necessary expenses.

The commission is self-sufficient financially in that its activities are financed through biennial appropriations from the Earmarked Revenue Fund, veterans memorial account, of which the commission is the administering agency. The account is sustained through the collection of 5% of the gross receipts of events sanctioned by the commission as well as all license fees collected by the commission.

Besides being used to defray the expenses of the commission, the revenue deposited in the veterans memorial earmarked revenue account is also available by appropriation for the construction, maintenance, furniture, dioramas, displays, works of art and workmanship in the veterans' quarters in the Veterans-Pioneer Memorial Building in the capitol complex.

The Veterans-Pioneer Memorial Building houses the Montana Historical Society museum, the C. M. Russell art gallery, and several pioneer and

patriotic organizations. It was completed in 1952 at a cost of about \$684,000, including \$27,000 which was appropriated from the veterans memorial earmarked revenue account. Since that time additional moneys have been appropriated from the account for various uses in the building as provided for by law. Approximately \$12,200 has been so appropriated since 1960.

ACCOUNTING SYSTEM AND FINANCIAL STATEMENTS

The commission does not maintain a general ledger, utilize the double entry system of accounting nor does it prepare yearend financial statements.

A general ledger should be maintained and posted on a monthly basis to properly show changes and balances of the commission's assets and accounts balance and the accumulated revenues and expenditures for the year. The general ledger, in the case of the commission, should be posted monthly from the books of original entry, reflecting the various transactions of the commission.

The double entry system should be utilized to keep the accounts in balance, show the dual effect upon each financial transaction, and provide the basis for preparation of accurate and complete financial statements and reconciliations.

Each state agency is required by law (Section 59-701, R.C.M. 1947) to submit annual financial statements to the state controller. Financial statements are basic to show the results of an agency's operation and financial position at yearend. The state controller is presently developing instructions for preparation of the financial statements to be prepared by state agencies. A general ledger will provide a sound basis for the preparation of these reports.

RECOMMENDATION

We recommend that the commission confer with the state controller in establishing a general ledger to be posted monthly utilizing the double entry system and that yearend financial statements be prepared.

DEPOSIT OF REVENUE TO INCORRECT FUND

We noted that \$275.76 was incorrectly deposited to the veterans memorial account in the Earmarked Revenue Fund. The money was sent to the state treasurer by a county treasurer in August 1969, and should have been deposited in the university millage account rather than veterans memorial account. Although the amount is relatively small, it does illustrate a lack of control over the commission's account.

We called the error to the attention of the state treasurer and appropriate action has been taken to correct the mistake.

RECOMMENDATION

We recommend that the commission periodically reconcile its account balance with that shown on the state controller's reports and initiate action to correct any errors noted.

CONTROL OVER LICENSES

Under its statutory responsibilities to manage, direct, and control various professional events, the commission issues licenses to clubs, promoters, boxers, wrestlers, seconds and others involved in the sporting events. In the past, the commission has not maintained a formal record of licenses issued, although we understand that a partial record has been recently

started. We believe a permanent record of licenses issued should be maintained to provide historical data and facilitate control over the licenses. Such a record would also serve as a record of the revenue generated from the sale of licenses and could act as a basis for entries in the accounting records.

RECOMMENDATION

We recommend that the commission establish and maintain a permanent record of all licenses issued.

COLLECTION OF LICENSE FEES

On the basis of administrative policy, the commission charges fees for the various licenses which it issues. These fees range from \$1 for a second and physicians' licenses to \$50 for a club license.

We noted several instances where licenses have been issued but no fee collected and where sporting event officials were permitted to participate without licenses. In discussing this aspect with a commission official, we were advised that the failure to properly license the officials and collect the respective fees was an oversight. Although the amount of fees involved was not significant, we believe the commission should establish a procedure whereby no sporting event under its control can take place until all licenses are issued and fees collected.

RECOMMENDATION

We recommend that the commission institute procedures necessary to insure that all officials are properly licensed and all license fees are collected.

VERIFICATION OF TAX RECEIPTS

Section 82-308, R.C.M. 1947, provides for a tax of 5% to be levied against the gross receipts received from the sale of tickets for professional boxing, sparring or wrestling matches or exhibitions. The rules and regulations of the commission require an inspector or the commission's secretary to witness the counting of the gross receipts and the results shown on a report which is required to be filed with the commission. The report is prepared by the promoter and sent to the commission and the tax receipts are deposited with the county

treasurer. The report does not provide for the signature or initials of the inspector or secretary attesting to the verification of the count and the accuracy of the taxes remitted. In addition, written procedures have not been adopted establishing the means by which the gross receipts are determined or the duties of the inspector in this regard. Written procedures should be established for the verification of gross receipts. These procedures should provide for:

1. Certification by the printer of the number of tickets printed.
2. Witnessing of the count or making an independent count of unsold tickets by a commission representative.
3. Signature or initials of the commission representative on the report as evidence that the count of unsold tickets and computation of gross receipts was verified.

RECOMMENDATION

We recommend that the commission adopt written procedures outlining the means by which gross receipts are determined as well as the duties of the inspector with respect to the verification of ticket sales.

TAX ON GROSS RECEIPTS OF TRAINING EVENTS

Section 82-308, R.C.M. 1947, and commission rules and regulations require that the 5% tax be levied on the gross receipts of any boxing match or exhibition. The rules and regulations further require that when an admission fee is charged for boxing, sparring, or exhibitions, the 5% tax will be levied on gross receipts and paid to the county treasurer.

Our examination disclosed that admission fees were charged the general public to observe the boxers training and sparring for the light heavyweight boxing match that took place on April 4, 1970. Insofar as we could determine no state tax was levied against the gross receipts received from the charging of these admission fees.

Neither the statutes nor the commission rules provide a clear definition as to whether the gross receipts tax applies to the revenue received from the charging of admission fees to observe training exercises, although sparring is involved. In this regard we believe the commission should seek legal clarification of the statutes to determine whether the gross receipts tax should be applied to training functions in the future.

RECOMMENDATION

We recommend that the commission request legal clarification from the Office of the Attorney General clarifying whether the 5% gross receipts tax provided for in Section 82-308, R.C.M. 1947, applies to training and sparring exercises.

CONCLUSION

The comments and recommendations contained in this report have been discussed with the commission chairman and secretary. We want to express our appreciation to the commission and secretary for their cooperation and assistance.

Respectfully submitted,

Morris L. Brusett

Morris L. Brusett
Legislative Auditor

July 6, 1970

STATE ATHLETIC COMMISSION
EARMARKED REVENUE FUND
BALANCE SHEET
June 30, 1970

Assets

Cash in State Treasury

\$ 8,833

Fund Balance

Fund Balance - Exhibit B

\$ 8,833

STATE ATHLETIC COMMISSION
EARMARKED REVENUE FUND
STATEMENT OF CHANGES IN FUND BALANCE
Two Fiscal Years Ended June 30, 1970

Fund Balance, July 1, 1968		\$ 8,041
Additions:		
Revenue - Exhibit C		<u>3,785</u>
Total Balance and Additions		11,826
Deductions:		
Expenditures - Exhibit D	\$ 1,393	
Transfer to Veterans' Memorial Appropriation		
Clearing Account for Expenses of State		
Department of Administration	<u>1,600</u>	<u>2,993</u>
Fund Balance, June 30, 1970		<u><u>\$ 8,833</u></u>

STATE ATHLETIC COMMISSION
EARMARKED REVENUE FUND
STATEMENT OF REVENUE
Two Fiscal Years Ended June 30, 1970

	<u>Fiscal Year Ended June 30</u>		
	<u>1969</u>	<u>1970</u>	<u>Total</u>
License Fees	\$ 47	\$ 123	\$ 170
5% Tax on Gross Receipts	439	3,116	3,555
Gift	<u>-</u>	<u>60</u>	<u>60</u>
Total	<u>\$ 486</u>	<u>\$ 3,299</u>	<u>\$ 3,785</u>

STATE ATHLETIC COMMISSION
EARMARKED REVENUE FUND
STATEMENT OF EXPENDITURES COMPARED WITH APPROPRIATIONS
Two Fiscal Years Ended June 30, 1970

Carryover Balance from 1967-68		\$ 49
Appropriations:		
1968-69	\$ 1,000	
1969-70	<u>980</u>	1,980
Appropriation Reversion, June 30, 1969		<u>(548)</u>
Total Available		1,481
Expenditures:		
1968-69	501	
1969-70	<u>892</u>	<u>1,393</u>
Unencumbered Balance, June 30, 1970		<u><u>\$ 88</u></u>

ANALYSIS OF EXPENDITURES

	<u>1968-69</u>	<u>1969-70</u>	<u>Total</u>
Personal Services:			
Salary - Secretary	\$ 300	\$ 300	\$ 600
Operations:			
Travel	113	404	517
Telephone	12	42	54
Postage	5	6	11
Supplies	21	39	60
Membership Fees	50	50	100
Central Administrative Agencies			
Pro Rata Charge	<u>-</u>	<u>51</u>	<u>51</u>
Total	<u>\$ 501</u>	<u>\$ 892</u>	<u>\$1,393</u>



